

Message Text

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14-11

ACTION EA-10

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CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4798

UNCLAS HONG KONG 4825

E.O. 11652: N/A

TAGS: ENRG

SUBJECT: ENERGY CONSUMPTION PATTERNS

REF: STATE 74300

SUMMARY: HK'S CONSUMPTION PATTERNS HAVE BEEN ONLY
MARGINALLY AFFECTED BY THE OIL CRISIS AND RISING FUEL
COSTS. THE SHIFT AWAY FROM COAL TO PETROLEUM HAS
CONTINUED WITH NO SERIOUS CONSIDERATION OF CONVERTING
BACK. WITH THE PRINCIPAL EXCEPTION OF GASOLINE FOR PRIVATE CARS,
IMPORTS OF PETROLEUM PRODUCTS HAVE CONTINUED TO INCREASE
AT HISTORIC RATES OR HIGHER. A BIG FACTOR HAS BEEN
THE WILLINGNESS OF THE PRC TO STEP INTO THIS MARKET TO
EARN BOTH GRATITUDE AND HARD CURRENCY. CONSUMPTION OF
ELECTRICITY FELL IN 1974, WHEREAS IT HAS BEEN INCREASING
BY ABOUT 10PERCENT ANNUALLY IN THE PAST DECADE. WE SUSPECT
THIS IS A ONE-TIME TECHNICAL BREAK RESULTING FROM THE
HKG'S INFORMATION PROGRAM IN LATE 1973 AND THAT CON-
SUMPTION INCREASES WILL TEND BACK TOWARD THE HISTORIC
NORM. END SUMMARY.

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1. DETAILED BREAKDOWN OF HK IMPORTS AVAILABLE FOR ONLY

FIRST NINE MONTHS OF 1974. FOR PURPOSES OF COMPARISON, HOWEVER, THIS MAY BE BETTER INDICATOR OF REACTION TO SITUATION WHICH BEGAN IN FALL OF 1973.

A. COST: ACCORDING TO HKG, UNIT FUEL COSTS AS A WHOLE ROSE BY 178.9PERCENT. THE LARGEST PORTION OF THIS CAME IN PETROLEUM PRODUCTS FOR WHICH AN INCREASE OF 206 PERCENT WAS PAID FOR A VOLUME INCREASE OF ABOUT 10PERCENT. THE UNIT PRICE OF COAL ROSE BY ABOUT 40PERCENT AND THAT OF LIQUIFIED PETROLEUM GAS BY ABOUT 102PERCENT.

B. IMPORTS (EQUALS CONSUMPTION INASMUCH AS NO FUEL IS PRODUCED IN HK): OVERALL FUEL IMPORTS ROSE BY 9.9 PERCENT. COAL IMPORTS FELL BY 55PERCENT TO 9,211 TONS CONTINUING A LONG-TERM TREND; LIQUIFIED PETROLEUM IMPORTS ROSE 4.2 PERCENT TO 1,124,892 CWT. IMPORTS OF PETROLEUM PRODUCTS ROSE BY AN AVERAGE OF 10PERCENT. FIGURES FOR PRINCIPAL PRODUCTS AS FOLLOWS:

(IN UNITS '000)

PRODUCT	UNIT	1-9/73	1-9/74	CHANGE
AVIATION GAS	LPG	190	4	-98PERCENT
AUTOMOBILE GAS	LPG	30,824	31,566	PLUS2.4PERCENT
KEROSENE	LPG	31,575	40,293	PLUS28PERCENT
AVIATION TURBINE	LPG	114,953	122,224	PLUS6PERCENT
WHITE SPIRIT	LPG	6,417	6,382	PLUS0.5PERCENT
DIESEL	TON	620	740	PLUS19PERCENT
FUEL OIL	TON	2,244	2,412	PLUS7PERCENT

2. GOVERNMENT ACTION: HKG SET UP STANDBY CONTROLS ON DISTRIBUTION WHICH WERE NOT ACTUALLY USED. THESE ARE PARTLY DESCRIBED IN HK 12415 (12/10/73) AND A-54 (4/11/74). THE ONLY GOVERNMENT REGULATIONS ACTUALLY INVOKED ESTABLISHED A CURFEW ON ADVERTISING LIGHTS. JAWBONING, AND THE ELECTRIC COMPANIES' DECISION TO ELIMINATE "SPINNING RESERVE" RESULTED IN A 1.5PERCENT DECREASE IN CONSUMPTION OF ELECTRICITY FOR THE YEAR 1974 (VS. AN HISTORIC AVERAGE INCREASE OF 10PERCENT PER ANNUM). FOR REASONS OF OVERCROWDING, RATHER THAN FUEL CONSUMPTION, THE HKG HAS BEEN DISCOURAGING PRIVATE AUTOMOBILES BY SHARPLY RAISING REGISTRATION AND PARKING FEES. THESE MEASURES, ASSISTED BY RISING GASOLINE PRICES, HAVE DRIVEN THOUSANDS OF CARS OFF THE ROAD (THERE WERE 129,000 PRIVATE CARS ON THE ROAD AT THE END OF 1973; UNCLASSIFIED

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ONLY 119,000 BY THE END OF 1974). THIS ACCOUNTS FOR THE LOW INCREASE IN GASOLINE IMPORTS. GOVERNMENT EXPERTS VISITED A LARGE NUMBER OF FACTORIES TO GIVE ADVICE ON FUEL CONSERVATION. AT PRESENT, THERE ARE NO ACTIVE GOVERNMENT PROGRAMS (OTHER THAN DISCOURAGING PRIVATE VEHICLES) TO CONSERVE OR REDUCE FUEL CONSUMPTION.

3. THERE ARE SIMPLY TOO MANY VARIABLES TO SORT OUT THE

EFFECTS OF THE RECESSION FROM OTHER FACTORS INFLUENCING
FUEL CONSUMPTION. HE HAS TRADITIONALLY RELIED UPON THE
MARKET TO RATION RESOURCES. LOCAL BUSINESSMEN ARE
EXTREMELY ACUTE COST ANALYSTS AND HAVE SIMPLY INJECTED
RAISED FUEL PRICES IN THEIR COST EQUATIONS.
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